



Interview Summary: Deputy Prime Minister Chrystia Freeland

Background

The Honourable Chrystia Freeland is Deputy Prime Minister and Minister of Finance (“DPM Freeland”). She was appointed Deputy Prime Minister in November 2019 and Minister of Finance in August 2020.

DPM Freeland was interviewed by Shantona Chaudhury, Yves Côté, Gordon Cameron, and Dahlia Shuhaibar on September 5, 2022. Questions about this summary should be directed to Ms. Chaudhury. Text contained in [square brackets] are explanatory notes provided by Commission counsel to assist the reader. Certain documents are referred to in the footnotes to assist the reader, but in many cases they were not shown to or discussed with the witness at the interview.

Commission counsel also interviewed three senior officials in the Department of Finance (“Finance”) on August 31, 2022: Deputy Minister Michael Sabia (“DM Sabia”), Assistant Deputy Minister Isabelle Jacques (“ADM Jacques”), and Assistant Deputy Minister Rhys Mendes (“ADM Mendes”). A separate interview summary has been prepared for that interview and should be read alongside this summary.

The context of the January and February 2022 events

DPM Freeland described the January/February 2022 period as one in which several major events were occurring at the same time. First, Finance was preparing the budget, which is always a very intense process involving multiple consultations with Finance officials, the Prime Minister’s Office, Cabinet colleagues, and others. DPM Freeland noted that the timing of the Convoy events meant that she and Finance were very conscious of the state of the Canadian economy due to the ongoing work relating to the budget. Further, that budget was a particularly important one, intended to steer Canada through its recovery from the COVID-19 pandemic while also addressing elevated inflation and supply chain challenges.

Second, Russia was planning to invade Ukraine. DPM Freeland was heavily involved in monitoring developments on Russia and Ukraine both because of her role as DPM but also because, as Minister of Finance, she was working closely with counterparts at the G7 on sanctions that could be imposed if a war began. DPM Freeland stated that from her perspective, the situation in Ukraine was very relevant to Canada’s national security. She believed then, and continues to believe, that Russia’s invasion of Ukraine is the most serious security threat that Canada and the West have faced since the Second World War. The events in Ukraine were therefore a very important national security consideration.

Finally, the COVID-19 pandemic was ongoing. From her perspective as Minister of Finance, DPM Freeland continued to have real concerns about the impact of the



pandemic on Canada's economy. Inflation was already very elevated and it was clear that interest rates would go up as a result of a variety of inflationary pressures. As the economy re-opened there were supply chain challenges. The impacts of the blockades compounded an already challenging economic climate.

DPM Freeland described several additional concerns that she had throughout the events of January and February 2022. She was concerned that they were harming Canada's reputation as an international investment destination and reliable trading partner, especially with the US. Another concern was ensuring the right balance was struck between democracy and the right to peaceful protest. She was also concerned with increasing polarization in Canada, which was evident in the demonstrations, and wanted to do everything possible to prevent further polarization. It was significant that the protests were, in an economic sense, a "self-inflicted wound" in the sense that the damage was not being caused by some outside force—it was being caused by Canadians. DPM Freeland was also very worried about people getting hurt, especially children.

Involvement in the events of January and February 2022

DPM Freeland became aware of the Convoy events through media coverage prior to the Convoy's arrival in Ottawa. She began to be very involved in the government's response the second Sunday, February 6, when it became clear that the situation was going to go on. She attended a meeting of the Cabinet Committee on Safety, Security and Emergencies to get a better sense of the situation. At that point, she determined that she and her team needed to become more involved in the government response. She explained that she felt a responsibility as Minister of Finance but also as DPM.

The role of the DPM is not specifically defined. DPM Freeland understands her role to include taking responsibility for matters on which she has some particular expertise (such as matters involving Ukraine or Alberta) and for matters of general importance.

[As discussed further below, DPM Freeland and her team at Finance considered policy options for responding to the demonstrations before the *Emergencies Act* was invoked and later played an important role in developing the *Emergency Economic Measures Order* ("EEMO"). DPM Freeland also communicated with stakeholders from both Canada and the United States during this period.]

Economic and reputational impact

[At the Finance departmental interview, DM Sabia and ADM Mendes discussed in detail the analyses of the economic impact of the blockades done by the department.¹

¹ See the Finance panel interview summary at pp. 3-6.



Finance prepared an initial assessment of the economic impact on February 10.² A subsequent analysis from February 22 estimated that the border blockades could reduce real GDP growth in the first quarter of 2022 by 0.1 to 0.2 percentage points.^{3]}

DPM Freeland was asked about a statement attributed to her in the meeting minutes of the February 13 meeting of the Incident Response Group (“IRG”): “The Minister highlighted ongoing economic losses of 0.1 per cent to 0.2 per cent of GDP for every week the blockades continue.”⁴ She stated that she had obtained this figure from a Bloomberg article.⁵ She stated that that number was being circulated on Bay Street and noted that a subsequent analysis by Finance arrived at a similar number [the February 22 analysis noted above].

DPM Freeland was asked about a statement by a Finance official that the GDP impacts would likely be recouped given that the blockades had ended [a February 22 email from ADM Mendes indicating that “[m]uch of the impact on the level of GDP will likely be recouped in 2022Q2, as production catches up.”^{6]} Having been asked to respond to this statement during her interview, DPM Freeland stated that she would view this as a positive outcome. She also noted that if action was not taken, the situation could have been much more damaging. If the blockades had continued or if the continued occupation of Ottawa spawned copycat blockades or blockades of ports or railways, they may have caused higher inflation, further supply chain issues, and enduring reputational damage to Canada as an investment destination.

DPM Freeland also pointed out that if Canada’s capital had still been occupied when Russia invaded Ukraine, in her view, such a situation would have completely discredited Canada as an ally in support of Ukraine. Russian media would have been focused 24/7 on what was occurring in Canada, which would have made Canada appear very weak at a time it needed to be strong. Further, it would have made it very difficult to take action after the invasion. This was another significant factor in DPM Freeland’s mind: there were dates circulating about when exactly the invasion would happen, such that from early February, she was constantly wondering whether it would occur on a given day.

DPM Freeland stated that she was aware of and concerned about the immediate economic hit that was being felt by Ottawa businesses and residents and as a result of

² SSM.CAN.00000177_REL.0001.

³ SSM.CAN.00007571_REL.0001.

⁴ SSM.CAN.00000095, p. 6.

⁵ COM00000839.

⁶ SSM.CAN.00001941_REL.0001; see also SSM.CAN.00007571_REL.0001, p 4.



the border blockades. She became very worried, however, about the long-term impacts. She stated that it was clear to her that the longer the demonstrations went on, the more they were hurting Canada's international reputation as a reliable trading partner and investment destination—particularly with respect to its relationship with the United States. She noted that she has a good understanding of the trading relationship with the US given her prior experience as Minister of Foreign Affairs, when she led the renegotiation of the North American Free Trade Agreement (“NAFTA”). As time went on, she became very worried about the longer-term damage that was being done to the Canada-US relationship. She highlighted that the Canada-US relationship is unique; the US is our biggest trading partner, and Canada has unparalleled access to the US market.

DPM Freeland noted that Canada had been concerned about the US proposed “Build Back Better” legislation, which originally included credits for electric vehicles manufactured in the US. Cars built outside the US would not qualify for the credits. She explained that if that legislation came into effect, there would be very little incentive to build a plant anywhere outside the US, which was the goal of the credits. Such a result would have been devastating to the Canadian economy given the importance of the automotive sector. Accordingly, much of DPM Freeland's time in the summer and fall of 2021 had been focused on trying to persuade Brian Deese [Director of the US National Economic Council, who, as detailed below, is a significant figure in the US] and officials in the US Treasury to provide an exemption for Canada. A key part of her argument was that the US needed Canada as much as Canada needed the US, and she emphasized Canada's reliability as a trading partner. She focused on the fact that Canada and the US built cars together, and that the Canada-US relationship was one they could depend on.

DPM Freeland explained that the blockades were particularly damaging given this context. It was especially concerning to see US Democrats such as Representative Elissa Slotkin (Michigan) saying, within hours of the Ambassador Bridge closing, that the blockade showed that the US cannot depend on other countries for its manufacturing. It was also worrisome to see statements from Michigan Governor Gretchen Whitmer calling on Canada to resolve the situation.

Beyond the relationship with the US, DPM Freeland was also worried about the effects of the blockades on the broader investment climate. She noted that an aspect of her job as Minister of Finance is to try to attract capital to Canada. She stated that, pragmatically, Canada will never compete with jurisdictions with the lowest taxes or least regulation. What it can compete on is its reputation as a country characterized by peace, order, and good government, and the fact that it is known as a safe and reliable place to invest and as one of the most stable liberal democracies in the world. Every day the blockades went on was, in her view, a very powerful erosion and contradiction of Canada's reputation.

DPM Freeland was also concerned with the metastasizing of the demonstrations. They started in Ottawa, then expanded to Coutts, the Ambassador Bridge, the Manitoba



legislature, and Surrey, and there were reports that blockades may occur elsewhere. DPM Freeland therefore had the sense that not only was the economic impact growing, but there was a risk of the activity continuing to expand.

Communications with US and Canadian stakeholders

As the blockades went on, DPM Freeland heard from stakeholders who began to proactively reach out to her. She explained that this was due both to her role as Minister of Finance but also as DPM.

A significant conversation DPM Freeland had was with Mr. Deese on February 10.⁷ She emphasized that, given the position he occupies, Mr. Deese is a very important figure for Canada. Throughout the Build Back Better discussions, it became clear that he would be a very influential player in the ultimate decision to be taken on the electric vehicle tax credit issue. DPM Freeland noted that Mr. Deese is a difficult person to get a hold of. The fact that Mr. Deese reached out to DPM Freeland was therefore striking. She described Mr. Deese as being very worried about the blockades. In her discussions with Mr. Deese relating to the proposed Build Back Better legislation, DPM Freeland had emphasized how the auto sectors in the US and Canada were linked. On the February 10 call, Mr. Deese stated that he could see how closely linked the two economies were, but he did not mean it in a positive sense. DPM Freeland understood from the phone call that the US was expecting Canada to get the situation under control quickly, failing which the effect on the Canada-US trade relationship could be devastating. This was particularly worrisome to DPM Freeland given that Canada had recently renegotiated a significant trade agreement with the US and had been working on building a relationship of trust with the Biden administration. DPM Freeland told Mr. Deese that Canada understood the US's concerns and would find a solution.

DPM Freeland noted that Mr. Deese had asked what the US could do to assist. She said it could help with tow trucks, publicly discouraging Americans from participating, and arranging a phone call between the Prime Minister and President Biden.⁸ The latter call occurred on February 11.⁹ DPM Freeland noted that this kind of conversation typically takes weeks or months to set up; this time, however, it occurred within 18 hours of her conversation with Mr. Deese. She noted that although she had requested

⁷ A summary of the phone call is included in an email dated February 10 from DPM Freeland to her staff: SSM.CAN.00001255_REL.0001.

⁸ SSM.CAN.00001255_REL.0001.

⁹ The White House readout of the conversation can be found in PB.CAN.0000045_REL.0001, p. 2, and the readout prepared by the Prime Minister's Office can be found in PB.CAN.0000067_REL.0001, p. 11.



the call, she found it worrisome that the call took place so quickly as it showed just how worried the US was.

[In a subsequent email to her staff later on February 10, DPM Freeland added that Mr. Deese had requested daily meetings with her.¹⁰] She stated that the daily meetings did not ultimately occur but pointed to the tight sequence of events: she spoke to Mr. Deese on February 10, the Prime Minister and the President spoke on February 11, and then the *Emergencies Act* was invoked on February 14. In other words, Canada took prompt action, and daily updates were not necessary.

It was striking to DPM Freeland that the weekend before the *Emergencies Act* was invoked [February 12/13], two of the big bank CEOs (Darryl White from the Bank of Montreal and Bharat Masrani from TD) got in touch with her, and she spoke to them separately. She explained that she typically meets with the CEOs of the big banks every six months or so; it was therefore unusual and significant to hear from the two CEOs (particularly on a weekend). She accordingly took their concerns very seriously. The CEOs emphasized that there had been an immediate economic hit and that they were hearing from their international investors that confidence in Canada was dissipating by the hour. They also mentioned the Bloomberg analysis and concerns on Bay Street.

DPM Freeland noted that she had conversations with various business stakeholders that week, including Flavio Volpe [president of the Automotive Parts Manufacturers' Association].¹¹ She noted that she spoke to important officials at banks¹² and auto manufacturing. [She also spoke to other industry members including Alan Kestenbaum, the CEO of Stelco,¹³ and Perrin Beatty, president and CEO of the Canadian Chamber of Commerce and a former Progressive Conservative politician.¹⁴]

In relation to her conversations with Mr. Beatty, DPM Freeland noted that she tries to stay in touch with him given his perspective: she seeks to try, whenever possible, to achieve consensus across political lines. She noted that in the text message exchange, Mr. Beatty had said he wanted an early, non-violent end to the blockades, which was

¹⁰ SSM.CAN.00001255_REL.0001.

¹¹ SSM.CAN.00004138_REL.0001 contains a text message conversation between February 9 and 14.

¹² SSM.CAN.00001281_REL.0001 references a call with bank CEOs on February 14.

¹³ SSM.CAN.00004170_REL.0001, SSM.CAN.00004171_REL.0001, and SSM.CAN.00004349_REL.0001 contain a text message conversation between February 11 and 15.

¹⁴ SSM.CAN.00004351_REL.0001 and SSM.CAN.00004352_REL.0001 contain a text message from Mr. Beatty sent on February 8.



exactly what she wanted. He also spoke about repairing holes in the political system. DPM Freeland stated that she agreed and that this was one of the reasons she spent time in Alberta and Saskatchewan in summer 2022.

DPM Freeland was also struck by the feedback the federal government was hearing from the provinces. In particular, she considered the request by Alberta for tow trucks¹⁵ as particularly significant: here was a Conservative provincial government requesting assistance from the federal Liberal government. While she was aware of Alberta's letter as well as conversations her colleagues were having with provincial counterparts, DPM Freeland does not recall personally having any conversations with provincial officials.

Initial measures considered by Finance

After the February 6 meeting of the Cabinet Committee on Safety, Security and Emergencies, DPM Freeland began working with her Finance team to identify potential solutions to the situation. They considered what tools Finance and other departments currently had and what kinds of legislation they could bring in quickly. [DM Sabia and ADM Jacques discussed these options in their interview, which included possible amendments to the federal *Bank Act* and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA"). They noted that it became clear that there were shortcomings with those options, including that they could not apply to provincially regulated financial institutions.¹⁶]

DPM Freeland stated that she presented these options to the IRG. Her focus was on finding a solution that would persuade people and especially truck drivers to leave without anyone getting hurt, in a manner respecting the rule of law.

DPM Freeland was asked about a text message exchange that she had with Minister Lametti on February 7.¹⁷ [According to the messages, they discussed in a phone call the viability of a possible measure suggested by DPM Freeland. Following that phone call, Minister Lametti indicated that his lawyers were looking into it.] DPM Freeland could not recall the specific measure she was suggesting in that message. She explained that she was frequently in touch with Minister Lametti, and at the time of that message, her department was looking into various options. [Minister Lametti was asked about this exchange in his interview and stated that they were discussing options under existing federal financial statutes at that point.¹⁸]

¹⁵ PB.CAN.00000718_REL.0001.

¹⁶ See the Finance panel interview summary at p. 6.

¹⁷ SSM.CAN.00004119_REL.0001 to SSM.CAN.00004121_REL.0001.

¹⁸ See interview summary for Minister Lametti at p. 2.



The development and implementation of the *EEMO*

[At their interview, DM Sabia and ADM Jacques described the policy role that Finance played in developing the *EEMO*.¹⁹] DPM Freeland described the measures in the *EEMO* as comprising essentially three parts.

First, the *EEMO* brought crowdfunding services and payment service providers under the *PCMLTFA* regime. This was initially temporary under the *EEMO*, but regulations under the *PCMLTFA* were subsequently amended in April 2022 to make this permanent. DPM Freeland noted that this aspect of the *EEMO* was ultimately not a significant factor in bringing an end to the illegal blockades. However, Finance had considered, since 2015, the potential risks posed by crowdfunding, and so it was nonetheless beneficial to bring that regime in line with the economic realities of 2022.

Second, the *EEMO* required financial institutions to monitor their relationships with customers, freeze the accounts of individuals or entities involved in the activities prohibited by the *Emergency Measures Regulations*, and share information about those individuals with law enforcement. DPM Freeland stated that it was a difficult decision to implement these measures: they were unprecedented and would have significant effects on individuals. However, she believed, and continues to believe, that they were necessary, and they were effective in ending the illegal activities. She added that a positive aspect of the measures was that they were a non-violent way of encouraging protestors to leave.

Third, the *EEMO* included similar provisions for insurance providers. DPM Freeland explained that these provisions were meant to persuade truck drivers to leave as they would risk having their insurance suspended. Although, to her knowledge, the provisions were not ultimately used, DPM Freeland considers that they were still useful in acting as a deterrent.

Post *Emergencies Act*

DPM Freeland believes that the blockades seriously threatened Canada's reputation as a reliable trade partner and caused the US administration to become very worried about its trade and commercial relationship with Canada. However, the fact that Canada acted through the *Emergencies Act* reinforced the relationship. She noted that Canada subsequently got a very positive outcome on the electric vehicles issue: the tax credit now applies to North American (rather than American) manufacturing, and an additional provision was added that requires critical minerals and metals to be produced by a US trade partner, which will be a huge economic boost for Canada.

¹⁹ See the Finance panel interview summary at pp. 7-8.



DPM Freeland expressed the view that a very serious threat to Canada's economic security can constitute a threat to national security. Such a threat would need to be very grave, and in this instance it was.

DPM Freeland stated that while she was satisfied that the *Emergencies Act* was needed in this instance, she hopes it will be another 50 or more years before it is needed again, if ever. She added that while it should be a last resort, it is important to have emergency legislation, particularly in an era where liberal democracies are under threat.